INFORMATION REPORT INFORMATION REPORT

CENTRAL INTELLIGENCE AGENCY

This material contains information affecting the National Defense of the United States within the meaning of the Espionage Laws, Title 18, U.S.C. Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

S-E-C-R-E-T

COUNTRY	East Germany	REPORT		25X ⁻
SUBJECT	Information on East German Economic Planning Methods	DATE DISTR. 18 May 1955		ì
	Territis 120 Mode	NO. OF PAGES	3	25 X 1
DATE OF INFO.	See.	REQUIREMENT		
PLACE ACQUIRE		REFERENCES		25X
DATE ACQUIRED	This is UNEVALUAT	ED Information		
	SOURCE EVALUATIONS ARE DEFINITIVE. APPRAIS	AL OF CONTENT IS TEN	NTATIVE.	
				25X

1. Measurement Values

The following demonstrates how existing measurement values were determined and how others are established when necessary. Three cases must be considered:

- a. Products in existence in East Germany at the end of the war: the measurement values of these products are essentially the 1944 stop prices of these products.
- b. Products not existing in East Germany at the end of the war but existing on the world market: the measurement values of these products are the 1944 world market prices. This method of establishing the measurement values has in some instances led to extremely sharp differences between measurement values and factory calcoparices (Werksabgabepreise), as, for instance, in the case of shipbuilding. The snip building industry measurement values are the 1944 world market prices. East Germany, however, is in no way able to produce ships or similar products at those prices. The Werksabgabepreise, therefore, are now more than double the measurement values.
- c. Products which at the end of the war did not exist either in East Germany or on the world market (this includes all new products which have appeared since measurement values were first established in East Germany): measurement values were established by assimilating them to the measurement values of such products already in existence which need about the same expense in work hours and material p.

Planning and financing of enterprises

A. Channels of accounting:

a. The individual enterprises forward so-called control reports to the Main Administration. There are a total of 1h control reports called I-1 through I-h. The control report pertaining to Warenproduktion (goods production) is I-10. The Main Administration consolidates all control reports from its individual enterprises into one report on Warenproduktion pertaining to the entire Main Administration.

INFORMATION REPORT INFORMATION REPORT	STATE X ARMY	NAVY E CH AIR	The strict of th	Field distribution by "#".)
	INFORMATION	REPORT	INFORMATION	REPORT /

- b. The Main Administration sends one copy of the consolidated report to the Central Department for Finances and Prices in the Ministry, one copy to the Ministry of Finance, one copy to the Deutsche Notenbank, and another copy to the Central Office for Statistics. While the Main Administration does not alter anything essential in the reports of the individual enterprises, the Central Department for Finance and Prices checks the report forwarded by the Main Administration for essential errors. This means that the Main Administration only eliminates technical errors, such as wrong additions, etc., whereas the Central Department for Finance and Prices modifies the consolidated reports in more essential points, as, for instance, when an indicated production figure does not tie in with other known figures.
- c. The Central Department for Finance and Prices consolidates all reports from the Main Administrations into separate reports for the Production Areas of the Ministry and into one consolidated report for the entire Ministry. Copies of the reports pertaining to the Production Areas go to the addresses mentioned in paragraph 2 b. above. The report pertaining to the entire Ministry also goes there, but one additional copy is forwarded to the Minister, who signs the report. With this act, the report becomes official and the figures contained in it are the official figures of production. The Central Office for Statistics is only a receiver of copies on production figures and does not establish them. The final figures are established in the Central Department for Finance and Prices, and receive their official character through the signature of the Minister.
- B. It may happen that the final figures established in the above mentioned may differ from the figures on the production reports prepared by the Main Administrations. This may be caused by the above-mentioned fact that the Central Department for Finance and Prices has authority to alter the figures. It may sometimes also be caused by the fact that different production reports do not always refer to the same type of production. Sometimes the production reports refer only to new production during the considered period, sometimes they refer to production including "Handelsware" (commercial goods); sometimes they refer to production with and sometimes to production without stock increases or decreases (Bestandszunahme or Bestandszbnahme).
- C. The role of enterprises in planning and related question.

The first planning step is done by the Planning Department of the enterprise. The Planning Department establishes the plan for the following plan year in terms of gross production and measurement values. Warenproduktion planning in actual sales prices at this stage is done only in rough positions. The first planning is done on the basis of "control figures" issued to the individual enterprises by their Main Administration. The control figures refer to the production (in the case of the Production Plan) of the most essential items of production, as a total. This preliminary plan established by the Planning Department is then submitted to the Leitungskollektiv which includes the manager, the technical head, the production chief, the commercial head, the labor director, the chief accountant, the BGL head, the party sechetary, and a selected number of "progressive workers" of the enterprise, such as "activists", etc. This body either approves the plan or makes the changes which it deems necessary. This usually happens in September of the year preceding the plan year. The plan in this stage is called "Project Proposition" (Planprojektvorschleg). This project is sent to the Planning Department of the Main Administration concerned, and all projects coming from the individual enterprises under the same Main Administration are consolidated into one plan for the Main Administration. The consolidated plan subsequently goes to the Central Department of Planning in the Ministry. There the plan is mainly coordinated with the Material Plan. This coordination is chiefly a struggle between the head of the Main Administration assisted by the head of his Planning Department, the head of the Central Department for Planning, and the head of the Central Department for Material Supply. These persons have to see to it that the consolidated plans of the Main Administration check with the overall Economic Plan and with the State Budget Plan (Staatshaushaltsplan) of the Ministry of Finance. If the above-mentioned persons fail to reach an agreement, the head of the Production Area involved is brought into attempt to make a decision.

S-E-C-R-E-T

25X1

If a decision cannot be reached in this way, the final decision is announced by the Minister himself. Subsequently, control figures are again issued to the individual enterprises on the basis of the plan thus established; they bear on a number of areas. Among these, production, manpower, and materials are the most important. Theoretically, this occurs prior to the end of the year preceding the plan year; in practice, it happens later. The enterprises then establish the socalled "Detailed Plan" (Feinplan). This plan, in addition to gross production, includes itemized Warenproduktion. The Feinplan is then forwarded to the Main Administration where every single production position is checked again, mainly for the purpose of finding out whether the new plan checks with the overall Economic Plan and, in particular, with the Material Plan. The Ministry is responsible for balancing its entire Feinplan with the State Budget Plan. The plan becomes official only after approval by the Volkskammer. This stage has not yet been reached for the 1955 plan. The 1955 plan has received the unofficial approval of the Politburo, but has not yet been submitted to approved by the Volkskammer.

The situation as described in the preceding paragraph may be termed the normal situation. Actually, the situation is never normal. As an example, the 1954 and 1955 situations may be cited. In both years the production established in the final Feimplan was too high in comparison with the State Budget Plan of the Ministry of Finance. The Feinplan established on the basis of the plans forwarded by the individual enterprises for 1954 included Warenproduktion by about 390 million DME higher than the State Budget Plan. The official reports of the East German press in which it is said that the 1954 plan was fulfilled with 103% (or so) refer to the State Budget Plan. The Feinplan established on the basis of the plans of the individual enterprises was actually not fulfilled. A similar situation exists for the 1955 plan. Warenproduktion of the 1955 Feinplan, as established in the Ministry for Machine Construction, for instance, is higher than the Warenproduktion allowed in the State Budget Plan. The Ministry of Finance has therefore refused approval for the plan of the Ministry of Machine Construction. This situation has created a lot of trouble and caused Minister Heinrich Rau to level heavy attacks against the Ministry of Finance.

25X1

25X1

the Ministry forwarded its monthly Cash Plan (Kassenplan), in which it was to account for all revenues and expenses on a monthly basis, to the Minister of Finance, the Minister of Finance refused to approve this plan through his signature. The situation is still unresolved, and it appears that the Council of Ministers will be called upon to make the final decision.

25X1

25X1

S-E-C-R-E-T